United States
Department of Agriculture

Foreign Agricultural Service

October 1986

Foreign Agriculture

**Portugal in the EC:
What it Means for U.S. Exporters**

Marketing News

U.S. Cooperators Boost Barley Consumption in Tunisia

The **U.S. Feed Grains Council** and the **American Soybean Association** are in the second year of a promising program which encourages early weaning of Tunisian sheep to a diet of whole barley, soybean meal, vitamins and minerals. The program could revolutionize Tunisian sheep production through increased litter sizes, higher meat yields and more frequent lambing. It could also lead to expanded barley and soybean meal consumption. The cooperators are conducting similar programs for the dairy and beef sectors, also likely to increase consumption. Tunisia will purchase barley and soybean meal according to foreign aid availability, credit, price and subsidy programs.

New Storage Idea From APA in Europe

The **American Plywood Association (APA)** is undertaking an intensive promotional effort throughout Europe for its 1,100-liter plywood bin. The bin, a sturdy, reusable wooden container lined with an aseptic bag, is the result of considerable design and field efforts by Association engineers and U.S. bin fabricators. The bin was introduced to potential overseas users—producers and processors of liquid or semi-liquid agricultural goods—at the Technoconserve exhibition in Parma, Italy, in November 1985.

M. G. Robert Verhorst, based in APA's Antwerp office, represented the Association at the Technoconserve fair. He reports that the bin attracted much attention from the tomato paste industry, as well as from fruit crush, fruit concentrate and olive oil firms. Further inquiries have been received from European users on the possible use of the bins for animal fats and small fish. The bin also has many industrial packaging applications.

For design and other information on the bin, contact any of the APA's European offices, located in London (Tel. 01629-3437), Antwerp (Tel. 3 449 6472) and Hamburg (Tel. 40 353047).

Variety Meats Featured at MEF-Sponsored Dinner

Last spring, **U.S. Meat Export Federation** staff in Mexico held a dinner featuring U.S. beef and pork offals at the U.S. Ambassador's residence. The dishes, prepared by a renowned local chef, were of U.S. origin and included pate, tripe a la mode, head cheese, garlic salami, ox-tail soup, tongue gelee and pickled pork feet.

Attending the dinner were 35 of Mexico's food industry leaders, including importers, supermarket personnel, distributors and independent operators. The Mexican market for variety meats is a significant one, as Mexico imported 59,880 metric tons of variety meats from the United States in 1985.

USW Hosts Yugoslavian Wheat Marketing Conference

Future wheat trade between Eastern Bloc nations and the United States may be more promising as a result of a recent **U.S. Wheat Associates**–sponsored marketing conference in Yugoslavia. U.S. Wheat hosted the two-day round of information sessions for grain trade officials from Yugoslavia, Romania and Bulgaria. The sessions were aimed at outlining the current world supply and demand situation for wheat and providing foreign officials with the details they need to participate more fully in U.S. government export programs.

Among other items addressed at the conference were trends in world wheat consumption, the workings of the U.S. grain inspection system, current U.S. farm legislation and the role of U.S. farmer cooperatives in wheat export marketing. Of particular importance to the East Europeans were trends in financing wheat imports, the economic factors affecting ocean transportation, U.S. market opportunities for European products and the future role of long-term grain supply agreements.

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Portugal's Accession: How Will It Affect Trade Ties With U.S.?

By Homer Sabatini

The accession of Portugal to the European Community (EC) on Jan. 1, 1986, has raised a number of questions about the future of U.S. agricultural trade with the Iberian Peninsula. U.S. exporters are concerned about the status of traditional exports as well as expansion in new product areas.

Many of the expected changes will be a result of the integration of Portugal's agriculture into that of the Community. Integration of Portugal's agricultural sector into that of the EC began March 1, 1986. About 85 percent of Portuguese agricultural production will have a two-stage transition period of five years each—10 years in all.

The major products in this group are grains, rice, dairy products, beef, pork, poultry and eggs, fresh fruits and vegetables and wine. For most of these products, EC rules are introduced gradually, and mostly after the end of the first period.

Another group of products, such as processed fruits and vegetables, tobacco, seeds, mutton, goat meat and cotton have a one-stage, seven-year transition period. For these products, the EC regime for imports from third countries was adopted upon accession, while alignment of duties will be gradual.

Fats and oils have a 10-year transition period with special limitations on seed oil consumption and oil and meal imports in effect during the first five years.

Impact of Accession on U.S. Farm Trade

The principal U.S. exports to Portugal—grains and oilseeds—are the very commodities that will be most adversely affected by Portugal's membership in the EC.

The Community's trade policy measures will erode the U.S. grain market and threaten to prevent the growth of Portugal's oilseed imports. On the other hand, Portuguese accession into the EC should not necessarily have an immediate and direct adverse impact on U.S. exports of commodities such as cotton, tallow, hides and skins.

In these cases, especially cotton, competition from other countries will generally outweigh EC trade impediments. (EC retaliatory measures against U.S. tallow imposed in response to U.S. action on EC steel do not apply to U.S. exports to Portugal.)

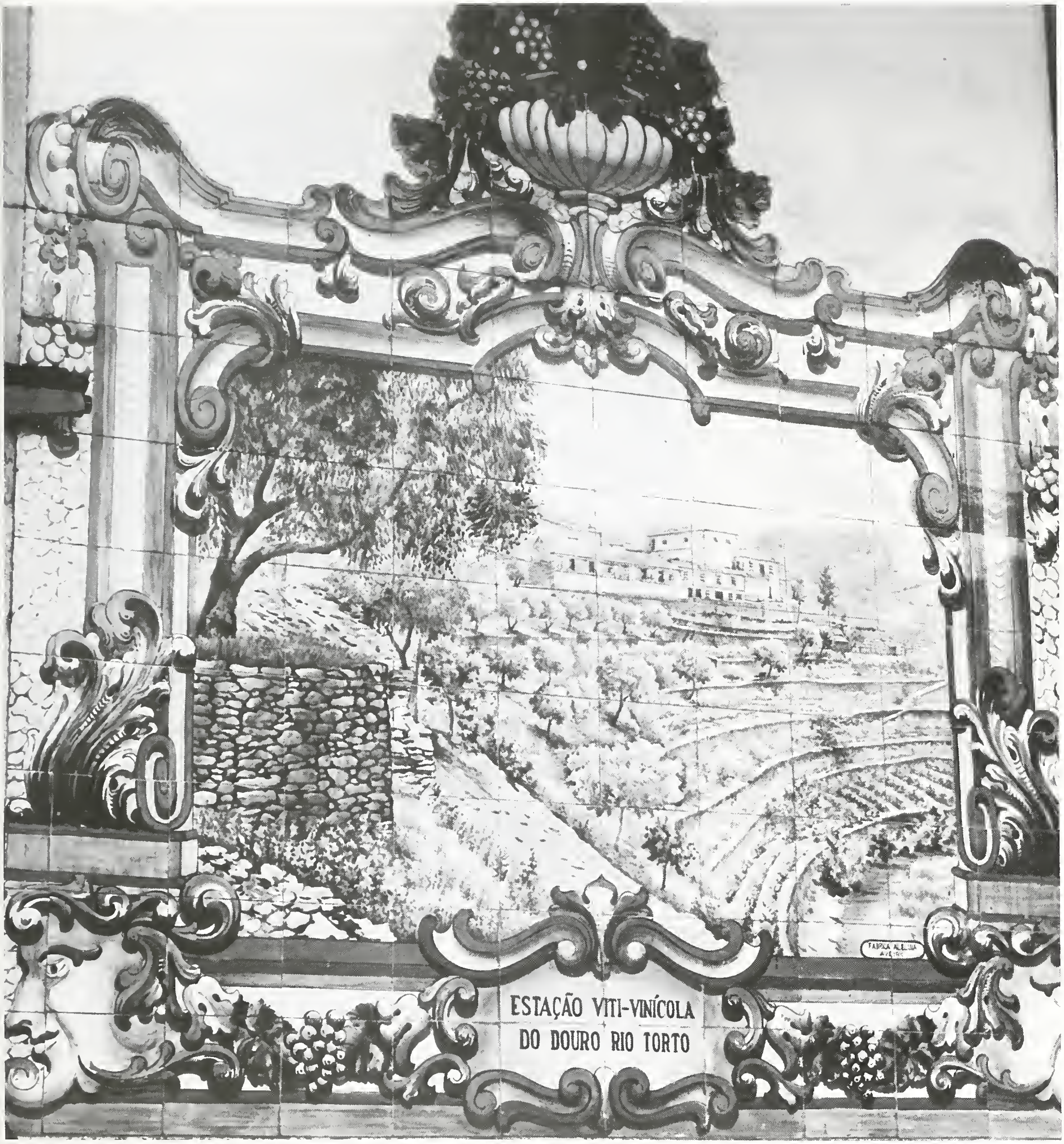
For a variety of U.S. exports, this is the likely scenario for trade in the near to medium term:

Grains and Rice

During the first phase of the transition period, Portugal is formally committed to buying at least 15.5 percent of its grain imports from the EC. It also must grant import levy preferences to the EC on an increasingly larger portion of its grain imports.

These preferences apply to the private portion of the grain trade, which is 20 percent of total grain imports in 1986 and an additional 20 percent in each of the following years.

Through 1990, the non-private imports will continue to be made by a government agency and will not be subject to an import levy. The levy on private imports is determined by bids on tenders opened by Portugal's grain commission. The firm that offers the highest levy wins the bid.


ESTAÇÃO VITI-VINÍCOLA
DO DOURO RIO TORTO

Since EC grain is higher priced than grain from third countries, importers of EC grain could not be expected to offer levies higher than those on imports from third countries.

Therefore, a corrective element has been introduced to offset the difference between the EC and the world price. In addition, imports from the EC have a preferential element of 5 ECUs per metric ton.

There is widespread feeling in Portuguese grain circles that the EC Commission could turn the corrective element into an additional preferential element. The first tender for 70,000 tons of corn by the private sector was opened in June.

In 1991, the Portuguese grain system will be fully integrated into that of the EC. Imports from third countries will pay the full EC levy while imports form the EC will be levy-free.

Corn is the principal U.S. export to Portugal. Through 1985, the United States was virtually the sole supplier of Portugal's corn imports, but Argentina made some sizable sales in January 1986. For the next few years, CCC credit, if available, should help the United States retain its predominant position in Portugal's corn import market.

However, in about two years, Portugal's use of corn could well drop by half from the 1984/85 level of 2 million tons because of increased use of non-grain feed ingredients and, more importantly, increased use of EC barley and feed wheat. Furthermore, corn from the EC will likely displace part of the imports from third countries.

The Portuguese government aims to reduce the country's dependence on corn and to re-orient livestock rations from corn to ingredients more prevalent in the rest of the EC. On the other hand, as Portugal tries to bring about this switch, for the next two or three years, there might be some limited export opportunities for U.S. barley and sorghum.

U.S.-Portuguese Trade

Portugal imports about 60 percent of its food needs and all its fiber requirements. With the help of USDA's Commodity Credit Corporation (CCC) credit programs, the United States was the largest supplier of agricultural products to Portugal prior to accession. In 1985, U.S. exports to Portugal were valued at $428 million, accounting for roughly 35 percent of the Portuguese import market.

The U.S. share was down from nearly half of Portugal's total farm imports just a year earlier. One of the primary reasons for the drop was high U.S. prices due to the strong U.S. dollar.

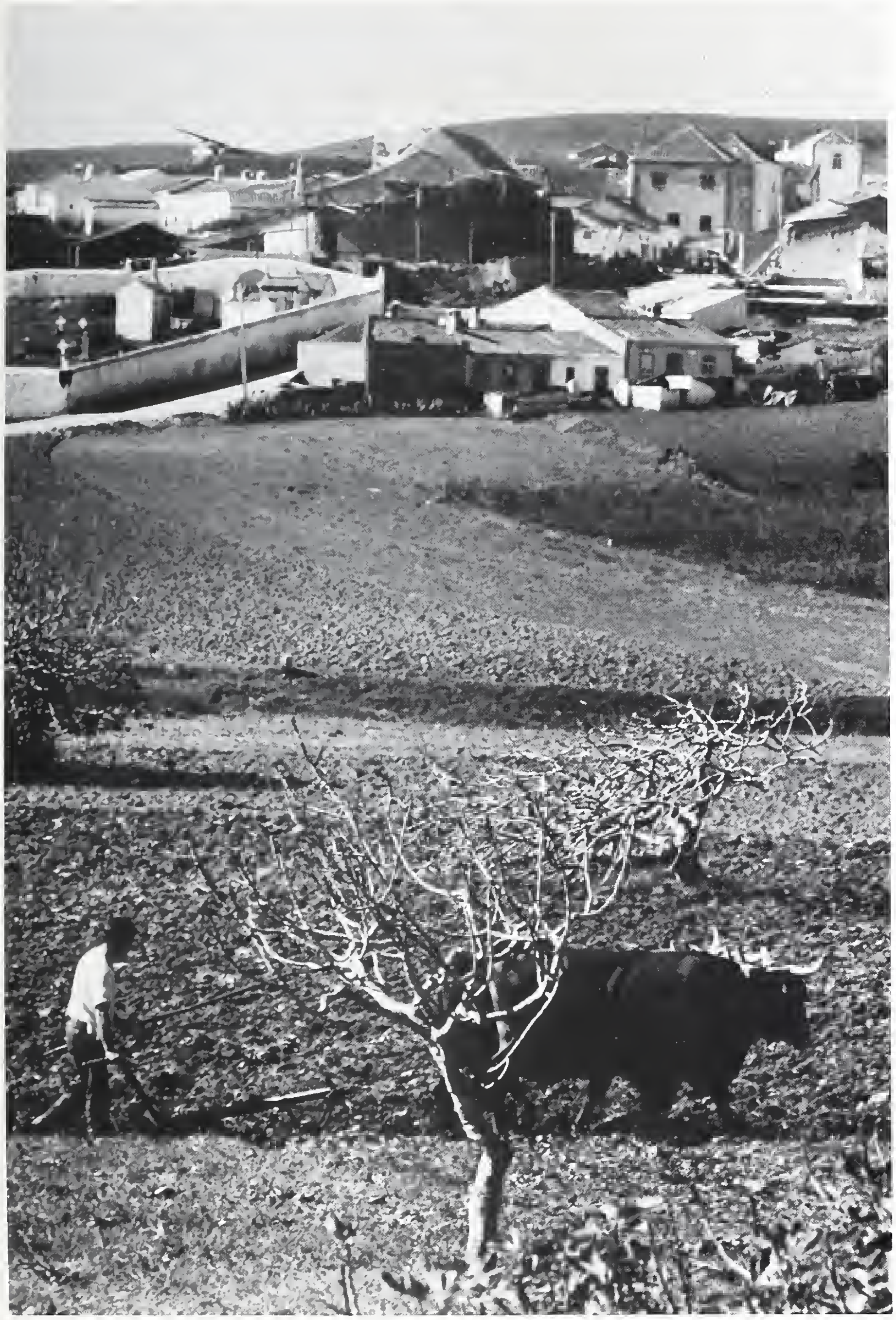
Although Portugal has less than 10 million people and the lowest per capita income in Western Europe (about $2,150 per year), during most of the past decade it was a major and growing market for U.S. agricultural products.

Two product groups—grains (including rice) and oilseeds—account for 92-93 percent of U.S. farm product exports to Portugal. Cotton, tallow, hides and skins and tobacco account for another 6-7 percent.

The remaining 1 percent or so consists of some 125 products or groups of products of varying degrees of importance.

The U.S. farm bill signed in December 1985, a weakened dollar and quality control measures should help restore U.S. competitiveness in the Portuguese market.

Nevertheless, while Portuguese farm imports should hold steady this year, the U.S. share of the import market will likely show a further drop because of new and serious trade impediments resulting from Portugal's accession to the EC.



Sales of corn gluten feed should also expand, if no policy restrictions are imposed. But the value of these anticipated gains, if they occur, will be far smaller than the anticipated loss in corn sales.

In wheat, the U.S. position as the predominant supplier will be gradually eroded by EC competition. Canada also entered the Portuguese wheat market recently. In 1986/87, the United States should still be able to supply about 80 percent of the import market if CCC credit remains available.

For the time being, Portuguese imports of U.S. hard red winter wheat (normally some 250,000 tons a year) should not be affected by Portugal's accession to the EC. However, for the longer term, the unknown factor is whether wheat gluten from the EC wil reduce the need for hard red winter wheat.

CCC credit, more competitive U.S. prices for the portion of imports not subject to the levy and promotional activity at the consumer level could help brighten prospects for U.S. rice, which have suffered considerably in recent months.

Oilseeds

Expansion of the Portuguese soybean market is threatened by EC-imposed quantitative restrictions on imports of oilseeds based on estimated Portuguese domestic consumption requirements for vegetable oils. These measures will be in place for the first five years after accession.

Based on an estimated domestic soybean oil consumption for food use requirement of 42,000 tons for March-December of this year, Portugal will be allowed to import 240,000 tons of soybeans without restrictions in 1986. Imports above this amount are permitted provided that all the oil produced is exported.

The EC also has introduced quotas on imports of oilmeals for domestic use (110,000 from third countries and 118,000 from the rest of the EC), but there are no restrictions on the domestic use of meal obtained from oilseeds crushed in Portugal.

The United States maintains that the quantitative restrictions on imports of oilseeds and products cannot be justified under the General Agreement on Tariffs and Trade. It also fears that the domestic soybean oil consumption quota could become restrictive. Because of these concerns, last May the United States introduced quotas of its own on imports of some EC products, including Portuguese wines.

However, the U.S. quotas will not be restrictive if the EC/Portuguese quotas are not. A future upward revision of the soybean quota is not excluded, as all quotas are subject to quarterly review.

The EC maintains that all these quantitative restrictions will be eliminated at the end of 1990, but extreme U.S. vigilance will be required to prevent the quotas from becoming restrictive and to make certain that they do not set a precedent for curbs on U.S. exports of soybeans and products to the entire EC.

In addition to policy constraints, the United States also faces strong competition from Argentina and Brazil in the Portuguese soybean market. The U.S. share of the market dropped from virtually 100 percent in 1983 to less than 50 percent in 1985.

It will be extremely hard to reverse this trend, but more competitive pricing and imaginative promotional initiatives might help. EC policies hinder overall market growth, but it will be up to the United States to regain the share of the market lost to foreign competition. The same considerations apply to sunflowerseed.

Cotton

Portugal is one of Europe's largest consumers of cotton and an important exporter of fabrics. Traditionally, the United States has supplied 10-14 percent of total raw cotton imports, but purchases of U.S. cotton came to a halt in the second half of 1985, mostly because of high U.S. prices.

Traders are confident that prospects will start to brighten this fall. With more competitive U.S. prices, a weakened dollar and stepped-up promotional activity, the United States should be able to regain part of its lost market share in 1986-87, and possibly enlarge it later on.

Livestock and Products

The main markets are likely to remain hides and skins and tallow, as well as sausage casings and semen. U.S. hides and skins are preferred to those of EC and domestic origin. Most imports are made through brokers in the Netherlands, with little direct contact between U.S. exporters and Portuguese importers.

Increased contacts and better credit terms (to match those offered by European competitors) could help boost U.S. sales. Imports of tallow vary widely from year to year, depending on local production.

In 1986/87, domestic production should be relatively high, but there may be stronger overall demand for tallow for exports of soap to other EC members.

Semen has been actively promoted. Though the total value is small, near-term prospects remain fairly good, and opportunities could develop for embryos.

High-Value Products

About 13 percent of Portugal's agricultural imports consist of processed products, but only about 3 percent of agricultural imports from the United States are in this category.

Actually, the share of processed products in Portugal's total farm imports has declined during the past decade as Portugal has developed its own oilseed crushing facilities.

Development of the market for high-value U.S. products will be an uphill struggle and a long-term proposition. Per capita income is low, and the country is small. U.S. exporters will have to be willing to respond to rather small orders and to do business with small companies with relatively little experience in international trade. EC suppliers will have a built-in advantage.

Furthermore, Portugal's entry into the EC could stimulate the development of food processing industries and production of high-priced horticultural crops, not just to service the small Portuguese market, but principally to export to the rest of Western Europe. Nevertheless, with appropriate promotional and follow-up activities, a small market for typically U.S. high-value products might gradually be developed. ■

The author is U.S. agricultural counselor in Lisbon.

Portugal at a Glance

Land

Some 92,000 square kilometers, including the Azores and Madeira Islands; 49 percent arable; 31 percent forest; 6 percent meadow and pasture; 14 percent waste, urban, inland water or other.

People

Population: 10,095,000 (July 1986), including the Azores and Madeira Islands, average annual growth rate 0.5 percent.

Language: Portuguese

Literacy: 80 percent.

Labor Force: 4.5 million (1984); 37 percent services; 36 percent industry; 27 percent agriculture; 10.6 percent unemployment (December 1984).

Government

Official name: Portuguese Republic.

Type: Republic, first government under new constitution formed July 1976.

Capital: Lisbon.

National holiday: April 25.

Economy

GNP: $19.2 billion (1984).

Agriculture: Generally underdeveloped; main crops—grains, potatoes, olives, grapes for wine; deficit foods—sugar, grain, meat, fish, oilseeds.

Major industries: Textiles and footwear, wood pulp, paper, cork, metalworking, oil refining, chemicals, fish canning, wine.

Exports: $5.2 billion (f.o.b., 1984); principal items—cotton textiles, cork and cork produts, canned fish, wine, timber and timber products, resin, machinery, appliances.

Imports: $7.8 billion (c.i.f., 1984); principal items—petroleum, cotton, industrial machinery, iron and steel, chemicals.

Major trading partners: 58 percent European Community, 9 percent United States, 2 percent Communist countries, 18 percent other developed countries, 11 percent less-developed countries.

California Table Grapes Enjoy A Great Year

By Scott Horsfall

Exporters of California table grapes just experienced a banner year in overseas markets. Export sales reached a new high during the past marketing year, breaking the old mark set in 1982. Such success doesn't happen overnight. This month, Scott Horsfall, director of advertising and foreign market development of the California Table Grape Commission, tells FOREIGN AGRICULTURE how the Commission works to bring high-quality U.S. table grapes to consumers around the world.

Q. How did the California Table Grape Commission come into existence and what role does it play in promoting exports?

A. The California Table Grape Commission is the marketing and promotion arm of California's fresh grape industry. Established in 1968, the Commission is a quasi-governmental organization which represents all of the state's growers of fresh table grapes.

The Commission's domestic advertising and merchandising programs are well known, but it has not overlooked the foreign marketplace. For almost as long as the Commission has been in existence, it has devoted an important part of its efforts to export promotion. Last season, we conducted promotional activities in 15 countries.

Q. How many members belong to your organization and how does the Commission help them with exporting?

A. The Commission represents all fresh grape producers in California, about 1,100 today. Exports are promoted through merchandising programs in many countries throughout the world. These programs are designed to increase demand for U.S. grapes in the target countries.

Q. How substantial is the export growth of California table grapes in recent years?

A. The table grape industry in California has just enjoyed its most successful export season ever. In 1985/86, some 38,479 metric tons of grapes were shipped to export markets, 58 percent more than the previous year and 24 percent more than the old record set in 1982.

The new record capped a decade of steady growth in table grape exports. Ten years ago, the U.S. grape industry exported just 15,985 tons of grapes to offshore markets. Since then, exports have grown at an average rate of 14 percent per season.

Q. What triggered last season's record export sales?

A. Although we'd love to say that the big increase in exports came as a direct result of our promotional campaigns, we must realistically look at a few other factors as well.

First of all, we saw a 30-percent reduction in the value of the U.S. dollar during the course of the 1985/86 marketing season. This helped boost exports dramatically, especially in markets like Europe and Japan where the strong dollar has been a constraint on sales for several seasons.

In addition, the huge domestic crop resulted in a lowering of shipping costs throughout the season. This served as a further price incentive to foreign buyers.

And we promoted more heavily than ever in 1985/86. New programs in Singapore, Malaysia and Taiwan, as well as increased activities in Japan, Hong Kong and Panama, helped push exports to each of these markets to record levels.

Q. Where are your largest export markets?

A. Hong Kong is far and away the leading export market for California table grapes. In 1985/86, we shipped over 18,000 tons of grapes to Hong Kong—a 104-percent increase over the previous season.

To put this in perspective, the per capita consumption of California table grapes in Hong Kong last year was 7.7 pounds. In the United States, the per capita consumption of *all* grapes—both domestic and imported—was only about 6 pounds.

Our other leading markets are also in the Far East, the region which has shown the most sustained export growth in recent years. Singapore, Taiwan, Japan and Malaysia are all expanding markets for California grapes.

In Central America, Panama continues to increase imports of fresh grapes despite economic and political uncertainties there.

Q. What about markets in Europe and elsewhere?

A. Last season, our exports to Europe reversed a five-year slide and began to show some renewed signs of life.

The lower dollar and a general boycott of South African grapes led to the increased interest in California grapes. Exports rose from 642 tons in 1984 to 2,026 tons in 1985/86.

Although we still have a long way to go to recapture market shares lost in Europe, last season's gains were a welcome beginning. Prospects for the immediate future also look very good in Europe.

Unfortunately, shipments to the Middle East failed to turn around. Despite lower prices and increased promotional activities, exports to Saudi Arabia and its neighbors fell for the fourth successive season.

When the Middle East economies were doing well a few years back, shipments of California grapes soared. However, the continuing worldwide oil glut has put these economies on shakier ground, and we found it harder to compete with the inexpensive grapes which are grown in the region, even though our quality is far superior.

In what was an excellent overall season for grape exports, this was the single negative development.

Q. How would you describe the typical growth market for U.S. table grapes today?

A. Generally, table grape exports are growing in countries that have stable, healthy economies. Because grapes are relatively expensive, many governments and importers consider them "unessential," which leaves them way down on the lists of required imports. For this reason, developing and third-world countries have not been good grape markets.

Q. Who are our biggest competitors?

A. It used to be that California's grape exporters enjoyed a marketing "window" in the autumn and early winter months. During this period there was little competition from other countries.

This is no longer the case. Worldwide grape production has risen dramatically—as has the emphasis many countries now put on exports.

California's "window" no longer exists. As a result, our growers are becoming more export-conscious. To compete successfully, we have to continue to provide the finest quality grapes available in the world. And we have to promote vigorously and effectively.

In Europe, we compete during the early season with fresh grapes from Spain, Italy and Greece. These grapes are heavily subsidized by the European Community, which makes the competition harder for us.

During the late fall and early winter months, competition is increasing from Southern Hemisphere producers, such as Chile, South Africa, Australia and Argentina. The growing seasons in these countries start earlier each year, and competitors, such as Spain, continue to improve their cold storage facilities.

So, competition is going to become even more fierce in the future.

Q. How many other U.S. states produce and export table grapes?

A. California produces about 97 percent of all fresh table grapes grown in the United States. The remainder is produced in Arizona. It is safe to say that virtually all exports of U.S. fresh table grapes are grown in California.

Q. How extensive have your market promotion activities been in recent years?

A. We have seen a real expansion. In the past three years we have begun significant new programs in Taiwan, Japan, Panama, the Middle East, Singapore and Malaysia. With the exception of the Middle East, each of these campaigns already has begun to pay big dividends.

In Panama, for instance, we began promoting table grapes on television and in local newspapers three seasons ago. Since then, each successive season has seen a new record for grape exports to Panama.

Our goal was to publicize the fact that grapes from the United States are available at times other than the traditionally strong Christmas season. Since our TV campaign began in 1984, our exports to Panama during September, October and November have doubled.

In Japan, where exports had long been sluggish, our new retail-oriented promotions have helped spur sales to record highs. We believe Japan is now on the verge of becoming a major U.S. grape market.

Q. What are your promotion plans for the future?

A. We plan to take full advantage of the current positive export environment by aggressively pursuing marketing activities worldwide. Our 1986 foreign marketing plan is our most aggressive ever, thanks in part to the increased funding we have received under the Targeted Export Assistance (TEA) program administered by the Foreign Agricultural Service.

The TEA money is intended to help the grape industry overcome the negative effects that European subsidies and other unfair trading practices have on U.S. grape exports. It has allowed us to launch a major promotional campaign in Japan, and to considerably strengthen most of our other existing programs.

As I mentioned, Japan appears poised to become a major factor in the grape export picture, and we're spending the largest portion of our TEA money there. The program targets both the retail trade and consumers, and it is the most extensive campaign we have ever undertaken.

In Hong Kong, a new program of in-store promotions with the increasingly important retail trade began earlier this year. This program complements our ongoing media advertising campaign in this crucial market.

In addition, this year will see a continuation—and, in many cases, an expansion—of existing market development programs in the Far East, Central America and Europe. However, we are putting our Mideast program on hold for the time being, at least until the market there becomes more promising.

Q. How would you describe the export outlook over the next few years?

A. Exports are going to become more and more important to California growers. As crops continue to increase, as imports continue to put pressure on our early and late-season crops, and as production in peak growing periods continues to prove too great for domestic demand, we must look more to exports to market our crop.

The immediate future certainly looks positive. All the conditions that led to our big year in 1985/86 are still in place, and we anticipate another banner year. Perhaps it may be even stronger since quality is reported to be better this season.

So, I would say the export outlook for U.S. table grapes is excellent. A favorable exchange rate certainly helps, but the strongest factor is that we have a product which is highly prized throughout the world. Foreign demand is growing, and that augurs well for the California table grape industry. ■

The author is Director of Advertising and Foreign Market Development, California Table Grape Commission, Fresno, Calif. Tel. (209) 224-4997.

U.S. Sweets Exporters Face Long Road in German Market

By Hilton P. Settle

West German consumers have a sweet tooth worth about $80 per person, but U.S. exporters who hope to cater to it should expect heavy competition from other European Community (EC) countries.

West Germany's per capita consumption of chocolate, candy, sweets, cookies and crackers, other snack articles and ice cream stands at about 51.3 pounds per person.

Per capita consumption levels were highest for chocolates, amounting to approximately 15 pounds per person. Consumption levels nearing 12 pounds were also reported for both candy and sweets, and cookies and crackers. These three food categories accounted for more than two-thirds of all 1985 snack food consumption in West Germany, and 77 percent of the money spent on snack foods.

Sweets Sector Highly Competitive

The sweets sector of the West German market is marked by stiff competition, which generally results in low prices on the domestic market, especially for chocolates.

Germany itself produced about 1.4 million tons of chocolate, candy, sweets, cookies and crackers, snack articles and ice cream in 1985, up 2 percent from the year before.

About 19 percent of total production, or 261,000 tons, is estimated to have been exported during 1985—an increase of nearly 18 percent over that of the previous year. The value of these exports increased 18 percent to almost $740 million.

Nearly two-thirds of the exports went to other EC countries, primarily France, the Netherlands, Belgium, Luxembourg and the United Kingdom. The remainder went to another 125 countries around the world, of which the United States and Switzerland were the most important.

At the same time, Germany also imports a sizable amount of sweets and snack items. Imports in this sector during 1985 rose nearly 9 percent to 280,000 metric tons, However, nearly 80 percent of the imports originated from other EC countries, reflecting the high duties that third countries generally face in exporting to the West German market.

Due to the heavy competition and relatively high import duties, U.S. companies interested in exporting these products should work with a potentially interested importer to obtain relevant market and tariff information.

While some shipments of chocolates and candies from the Unites States are taking place, the greatest potential exists in the snack foods area and in supplying raw materials to product manufacturers in this sector.

Germany imported 157,000 tons of raw ingredients, including nuts, dried fruits, fruit fillings, egg products, flavorings and spices in 1985. U.S. companies interested in exporting these products should contact the U.S. Agricultural Trade Office in Hamburg for lists of potential importers.

Annual Sweets Fair in Cologne

In addition, companies interested in this sector may wish to visit, or exhibit at, the International Sweets and Biscuits Fair which is held annually in Cologne.

A total of 15,500 trade visitors from 83 countries attended the 1985 fair, where 878 firms from 39 nations exhibited.

Exporters interested in participating in the International Sweets and Biscuits Fair in Cologne, West Germany, on Jan. 25-29, 1987, should contact:

Mr. Hannes Bucerius
Messe-und-Ausstellungs-Ges. m.b.H.-Koehln
Phone: (221) 821-22-14 or 821-29-02
Telex: 8873426 mua d
Cable: Intermess Koeln ■

The author is U.S. agricultural trade officer in Hamburg, West Germany. Tel. (011-49-40) 341-207.

Fact File: The Targeted Export Assistance Program

The Food Security Act of 1985 authorized a new export promotion effort called the Targeted Export Assistance (TEA) Program. Under the TEA program, the U.S. Department of Agriculture (USDA) uses surplus stocks from the Commodity Credit Corporation (CCC) to partially reimburse agricultural organizations for export promotion programs they undertake. The specific goal of the program is to help producers who are disadvantaged by the unfair trade policies of competitor nations. USDA gives first consideration for TEA programs to agricultural products which have been found, under Section 301 of the Trade Act of 1974, to have had their exports adversely affected by a foreign government's policy. The law requires USDA to spend at least $110 million in funds or CCC commodities for each fiscal year from 1986 through 1988.

How the Program Works

The TEA program is administered by the Foreign Agricultural Service (FAS) and funded through the issuing of CCC certificates under agreements between CCC and U.S. trade associations, state marketing organizations or private companies. These organizations conduct foreign market development projects for eligible commodities in specified countries. There are two basic types of TEA programs: a generic promotional program with nonprofit agricultural associations and state organizations, or a brand-identified or high-value promotional program with private U.S. firms.

Program proposals may be developed by FAS, trade associations or state marketing organizations. Once approved, program agreements are drawn up and signed by the participating organization or private firm and CCC. The TEA participant then submits an activity plan to FAS describing specific activities and proposed budgets, which are reimbursable with CCC certificates. These certificates may be redeemed for commodities from CCC stocks or sold.

When FAS approves the activity plan, the organization can request an advance of CCC commodity certificates equal to 40 percent of the dollar amount stated in the agreement. No further certificates are issued until the organization submits expense claims sufficient to offset the original advance.

Afterwards, certificates are issued on a reimbursement basis up to the dollar limit in the agreement.

TEA Programs in Operation

As of August 21, USDA has approved proposals for 18 TEA programs worth nearly $70 million. Activities financed by the programs vary from commodity to commodity. For example, a program to promote exports of U.S. wood products to Japan has financed the construction of a three-story wood demonstration building featuring advanced timber technology. The demonstration unit will provide the focal point for a promotional and technical program.

The goal of a promotion program targeted to Algeria is to promote exports of U.S. feed grains, soybean meal and dairy cattle to that country by helping the Algerians develop livestock and poultry production industries. The export assistance will be used to build model beef, dairy, poultry and sheep farms and a feedmill.

Some TEA programs have been in operation for several months and have already produced results. For example, the TEA program for canned fruit, approved in April, helped increase exports by the next month. U.S. exports of cling peaches to Japan during May exceeded exports for the entire previous season and pushed the yearly total for Japan 176 percent over last year.

A brief summary of each TEA program is presented below.

Potatoes: The National Potato Promotion Board is undertaking a $2-million program for frozen potatoes in the Pacific Rim countries of Japan, Hong Kong, Taiwan, Malaysia and Singapore.

California and Arizona Citrus: Private U.S. firms are participating in a TEA program totaling $8.5 million to promote California and Arizona fresh and processed citrus in the Pacific Rim countries of Japan, Hong Kong, Singapore, Malaysia, Taiwan, Korea and New Zealand.

Raisins: The California Raisin Advisory Board is conducting a $6.3-million promotion effort in Western Europe and Pacific Rim countries.

Walnuts: The Walnut Marketing Board is spending $9 million on market promotion in Western Europe, Japan, Taiwan and Australia.

Canned Fruit: The California Cling Peach Advisory Board is using $2.5 million to promote canned peaches and fruit cocktail in Japan and Taiwan in 1986 and has a $5.1-million program approved for Pacific Rim and Middle East countries in 1987.

Almonds: Qualified industry participants will receive $900,000 to promote almonds in Western Europe, Japan and Korea.

Wine: The Wine Institute is receiving $2.3 million to promote wine in Japan, the United Kingdom, Hong Kong and Singapore.

Wood Products: The American Plywood Association is spending $1.95 million promoting wood products in Japan in 1986 and has a $653,000-program approved for the United Kingdom in 1987.

Dried Prunes: The California Prune Board is receiving $4 million to promote dried prune exports to Western Europe.

Florida Citrus: The Florida Department of Citrus is spending $4.6 million to promote fresh and processed citrus exports in Western Europe and the Pacific Rim.

Feed Grains, Soybean Meal and Dairy Cattle: FAS and three organizations—the U.S. Feed Grains Council, the American Soybean Association and the Holstein-Friesian Association of America—will carry out a three-year, $9-million export market promotion program for feed grains, soybean meal and dairy cattle to Algeria. Funds will be used to develop livestock and poultry production in that country.

Poultry and Eggs: The USA Poultry and Egg Export Council will work on a $6-million program to expand poultry and egg exports to Pacific Rim and Middle Eastern countries.

Wheat: U.S. Wheat Associates will receive $1.1 million to expand wheat exports to developing countries.

Washington Apples: The Northwest Horticultural Council will use $1.4 million to expand exports of Washington State apples to the United Kingdom and Scandinavian, Pacific Rim and Arab Gulf countries.

Dry Peas and Lentils: The U.S. Dry Pea and Lentil Council will spend $2.5 million to expand exports of dry peas and lentils to the European Community, Colombia and India.

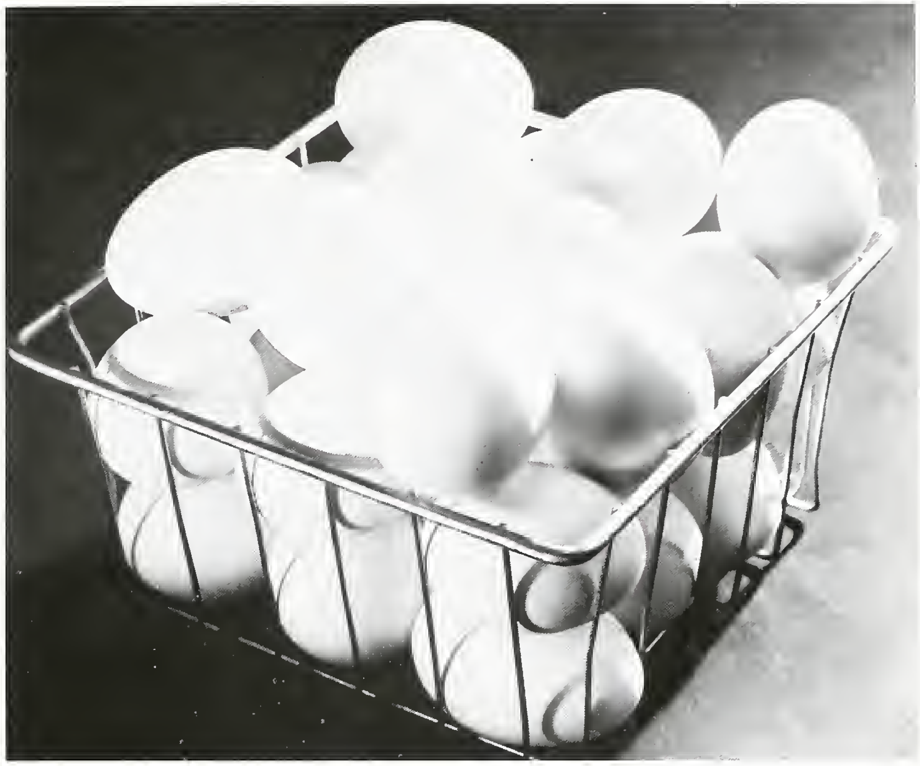
Table Grapes: The California Table Grape Commission will receive $350,000 to expand exports of California table grapes to Pacific Rim countries.

Feed Grains: The U.S. Feed Grains Council will spend $2.1 million to expand exports of U.S. feed grains and feed grain products (corn, sorghum, barley, corn gluten and malt).

For more information on the TEA program, contact: Beth Callanan, FAS. Tel. (202) 447-5521.

Hong Kong Is Tops At Cracking U.S. Shell Eggs

By Michael L. Humphrey



While most people think of Hong Kong as a small market, it is, in fact, the largest export market for U.S. shell eggs. In 1985, the United States exported over 7 million dozen shell eggs valued at $4 million for food use in Hong Kong. That market alone accounted for half of the volume and 40 percent of the value of total U.S. exports of shell eggs for food use.

Hong Kong consumers enjoy a variety of shell eggs, including fresh hen and duck eggs, dyed eggs for special occasions, eggs cooked in salt or tea leaves, pigeon eggs and preserved duck eggs. Fresh hen eggs, however, are the most popular item.

Each consumer in Hong Kong eats an average of 215 fresh eggs and 20 preserved or dyed eggs each year. According to Hong Kong import statistics, the territory annually imports more than 1.2 billion fresh shell eggs valued at $52 million. In addition, Hong Kong produces 4.5 million dozen hen, duck and goose eggs and 12 million dozen quail eggs annually.

Chinese eggs dominate the fresh egg market with more than an 80-percent share. Thailand became the second largest supplier in 1984, following a nearly eightfold increase over 1983 shipments. The United States is currently the third largest supplier with a 7.5-percent market share in 1985—up from 6.8 percent in 1984. Egg imports from the Netherlands also showed a dramatic increase in 1985.

Chinese Prefer Brown Eggs

The Chinese, who constitute 95 percent of Hong Kong's population, prefer brown eggs over white. In fact, 90 percent or more of the fresh eggs consumed are brown. The major outlets for white eggs are hotels, western-style restaurants and fast food shops.

Chinese consumers prefer the deeper color of brown egg yolks—often considered essential to the color of many Chinese dishes. Chinese-style restaurants also find that brown eggs are more popular with customers.

Chinese eggs have a unique odor that can be an advantage or a disadvantage, depending on the consumer.

To the Chinese consumer, the odor is indicative of a "good egg" and is an important reason, in addition to a price advantage, for the popularity of Chinese eggs. The odor, however, is a major reason why Chinese eggs are not accepted by hotels, western-style restaurants and fast food outlets.

U.S. Brown Eggs Fail To Compete

Virtually all eggs imported from the United States are white. This is due in part to the fact that the availability of European brown eggs at lower prices has made U.S. brown eggs uncompetitive.

Packing and grading of U.S. brown eggs is also difficult because unlike U.S. white eggs, U.S. brown eggs vary markedly in size. Eggs from medium to extra large are packed in the same carton, resulting in frequent breakage of larger eggs. Wholesalers or retailers in Hong Kong also must sort the eggs by sizes, which creates extra work.

Importers point out that with alternative suppliers now available, U.S. brown eggs cannot compete without improvement in the method of packing.

In the white egg market, however, U.S. eggs have enjoyed a distinct advantage. Hotels, restaurants and institutions recognize the consistent high quality of U.S. eggs.

Another advantage is that U.S. eggs can be kept for a comparatively long time. The shipping time of 14 to 16 days from the U.S. West Coast, compared to 30 days from Europe, also has given U.S. white eggs a competitive edge.

However, U.S. white eggs now face growing competition from European eggs. The U.S. market share of the hotel and restaurant market dropped from 92 percent in 1981 to 58 percent in 1985, while the EC market share increased from zero to 28 percent in the same period. Because of this loss of market share due to subsidized competition, USDA recently announced an Export Enhancement Program to facilitate the sale of 44 million eggs to Hong Kong.

Structure of Trade

Hong Kong has about 15 egg importers. The largest is the Hong Kong Eggs and Products Company, which monopolizes the import of Chinese eggs, both fresh and preserved. Others import from different sources.

There are 42 wholesalers under the Hong Kong Eggs and Products Company. Wholesalers are located in three small areas in Hong Kong: Egg Street and Saiyingpun on Hong Kong Island and Kam Lam Street in Kowloon.

Retailers, hotels and restaurants all buy from these wholesalers although some hotels and supermarkets buy directly from importers.

At the retail level, eggs are sold through the wet markets, hawkers, grocery stores and supermarkets. About 70 percent of eggs are consumed in the home and the remaining 30 percent goes to hotels, restaurants, fast food outlets and bakeries.

Most eggs on the retail market are not refrigerated and customers are allowed to choose each individual egg and examine the product under light. Some of the U.S. large white eggs, however, are offered in one-dozen packs in air-conditioned supermarkets.

Major Suppliers Compete

Major suppliers to the Hong Kong egg market are making greater efforts to increase the competitiveness of their products in order to maintain or expand market shares.

To promote sales of Chinese eggs, the Chinese Eggs and Products Company recently held a "lucky draw"—a popular promotional activity in Hong Kong—with prizes in solid gold for winning retailers. Attractive posters are designed to promote both fresh eggs and preserved Chinese eggs.

The European countries apparently are trying to increase sales by maintaining low prices.

Although brown eggs continue to dominate the market, the rapid expansion of fast food outlets in the territory could help boost the demand for white eggs, making the prospects for shell egg imports brighter. ■

The author is the U.S. agricultural officer in Hong Kong.

Taiwan Holds Opportunity For U.S. Citrus Sales

By John T. Hopkins

Taiwan's imports of citrus fruits have been growing steadily over the past few years. But U.S. exporters will have to work hard to counter aggressive competition from other suppliers.

While oranges are Taiwan's most significant citrus import, it appears that grapefruit (most of it from the United States) will overtake orange imports in the next few years if trends continue. U.S. lemons are also popular in this market.

On a value basis, the United States supplied the bulk of Taiwan's citrus imports last year, accounting for approximately two-thirds of the oranges, nearly three-fourths of the grapefruit and virtually all of the lemons imported.

Grapefruit Shows Strong Growth

Taiwan's imports of grapefruit have shown the strongest growth among all citrus imports in the past four years. Taiwan imported more than 1,300 metric tons of grapefruit in 1985, about 17 times the level of only three years earlier.

Local production of grapefruit has also grown, reaching nearly 2,600 tons last year. Unlike oranges, locally produced grapefruit do not present much competition for imported fruit because of a short production season (October-December) and a taste that is slightly more sour than imported grapefruit.

Two or three years ago, grapefruit was almost unknown in Taiwan and the country itself produced only about 500 tons. But during the past year, sales have surged as the fruit was touted in newspaper articles as a "health" or diet food. The result has been nothing short of spectacular.

One importer has stated that two years ago he was importing only 20 40-foot containers a year. That number has grown to 30 each month. In general, most importers in Taiwan predict continued very strong growth for grapefruit this year.

Most of the imported U.S. grapefruit comes from California, with smaller amounts from Arizona and Florida. The type imported from the United States is primarily Ruby Red; South Africa's Star Ruby is considered to be tough competition for the U.S. variety and is backed by an aggressive marketing campaign by South African exporters.

The Florida grapefruit are famous in Taiwan for being slightly "ugly" in appearance (due to easy scarring), but very delicious in taste. Unfortunately, the Florida growing season comes a little too early in the year for Taiwan, and ocean freight is too high, according to importers.

Interestingly, the biggest competitor for grapefruit sales in Taiwan is not local grapefruit, but local watermelon, according to importers. In contrast to the United States, where grapefruit is associated highly with breakfast, grapefruit in Taiwan is considered a cool, juicy snack for summer afternoons, similar to watermelon.

This year, the local watermelon crop is expected to be bad because of untimely rains, which should encourage grapefruit imports.

Orange Output Surpasses Imports

Unlike grapefruit, local production of oranges far outstrips imports. Oranges are the only citrus fruit exported in significant quantities. Production of oranges and orange-like citrus (Valencias, satsumas and tangerines) accounts for about two-thirds of Taiwan's total citrus output.

Orange imports show a strong correlation to local production. Imports this year are expected to drop because of a very good local orange crop (up 18 percent from last year), as well as poorer crops and higher prices in the United States.

South Africa is expected to take a larger share of the market than in the past because of some new marketing techniques. For example, in the past, imports were paid for with local currency. This year, however, South African suppliers have agreed to share profits or losses with local importers and will cover up to one-half of any losses incurred, according to one importer.

South Africa supplies good-quality oranges similar to those from the United States, although last year's shipments

were considered too sour. South African oranges are lighter in weight and less juicy than those from the United States, but they are cheaper and reportedly have a longer shelf life.

Slow but Steady Lemon Imports

Lemons are not commonly used in Taiwan's cooking; most consumption is used in production of lemonade and similar drinks served at market stalls. Domestic production has been gradually decreasing while imports have shown a slow, but steady, increase. These trends are expected to continue over the next few years.

The United States has consistently held a larger share of the market (94 percent in 1985) for lemons than for any of the three types of citrus Taiwan imports.

Tariffs, Freight Are High

Fresh and chilled lemons, oranges and grapefruit all face 50-percent import duties (c.i.f.) in Taiwan, except during March 1-September 30, when the duties are reduced to 25 percent.

Increases in ocean freight rates are unnaturally magnified by tariffs because duties are applied to the c.i.f. cost of goods. Since last year, ocean freight on one container of citrus (West Coast to Taiwan) has risen from $3,000 to $3,500, according to an importer.

Prices for most citrus in Taiwan are now somewhat depressed because of heavy local production in 1985.

Non-Tariff Barriers Still Hamper Imports

Besides the 25-50 percent import duty, improvement in several other areas (on both the Taiwan and U.S. sides) could boost imports, according to several importers in Taiwan.

Importers must first apply to Taiwan authorities for permission to import a certain amount of fruits. The authorities can, and sometimes do, refuse permission to satisfy opposition from local growers.

According to regulations governing payment of import duties, smaller shipments of goods are allowed more latitude in discrepancies between what the invoice says the goods cost and what the authorities estimate they should cost.

This forces importers to break large shipments into smaller deliveries so that a 10-container order for citrus might have to be broken down into five deliveries of two containers each, on separate vessels, with separate documents, etc. This increases shipping and handling costs to importers.

Many local importers are forced to buy their fruit through U.S. West Coast middlemen because importers say that large U.S. suppliers are unwilling to ship smaller orders necessary to break into a growing market.

This system, along with the long shipping time between the West Coast and Taiwan, means that it takes three to four weeks for goods to arrive after orders are placed. This affects competitiveness and freshness of U.S. fruit.

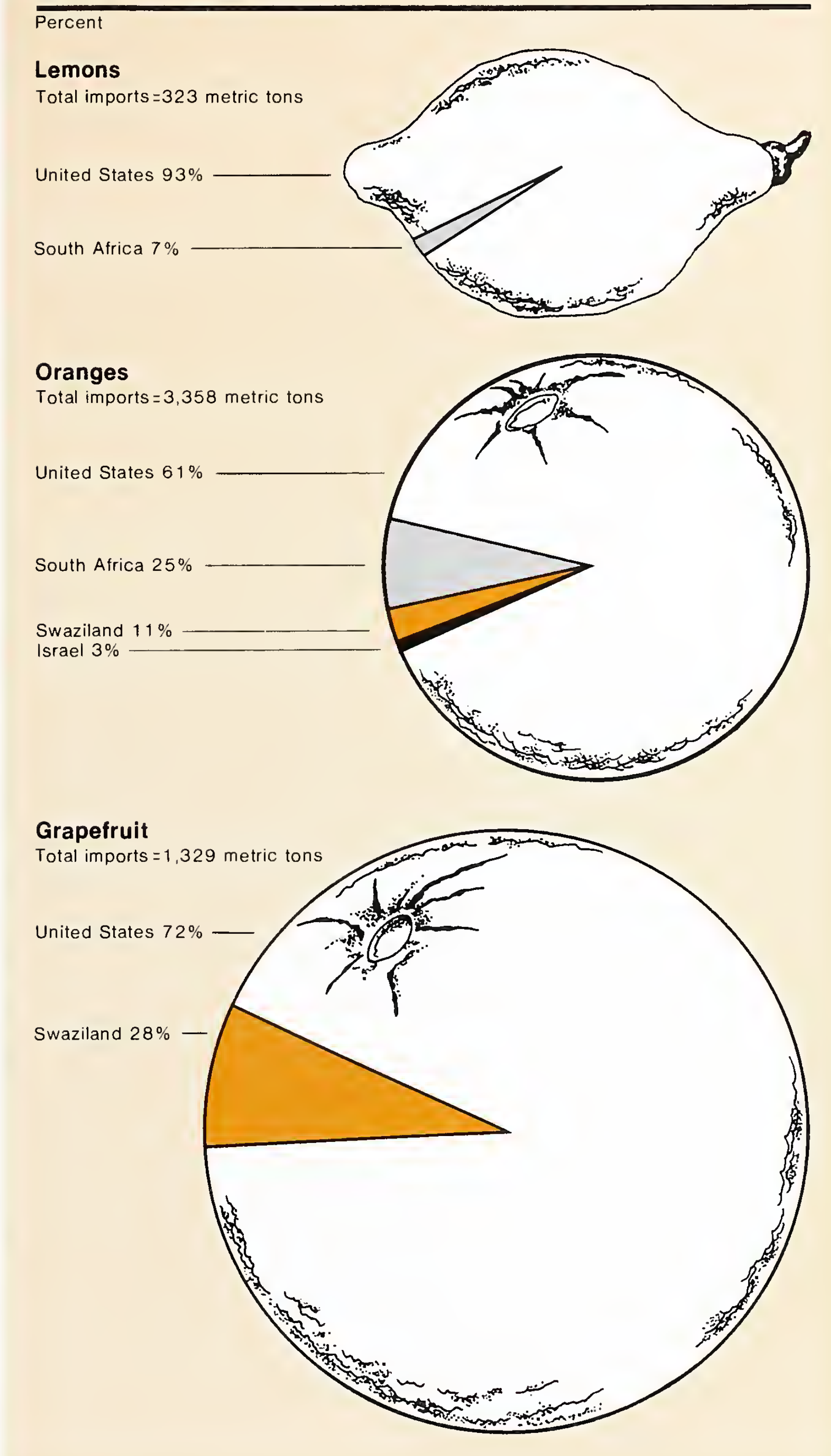
Personal Contacts Are Important

Personal contacts are very important when doing business in Taiwan. For example, representatives of Japanese and South African companies make frequent selling trips to Taiwan. These representatives work closely with importers, even the smaller ones, to supply fruit with taste and other characteristics suitable to the local market.

Local importers are interested in obtaining more information from the United States about the fruit available in different seasons from various areas, as well as the fruit's characteristics (juiciness, sweetness). ■

The author is chief of the agricultural affairs section at the American Institute in Taiwan in Taipei.

United States Supplied Bulk of Taiwan's Citrus Imports in 1985



Country Briefs

China

Wood Imports May Drop As Domestic Supplies Rise

Chinese wood imports could drop more than 10 percent in 1986. This decline—the first in seven years—is the result of increased domestic supplies, a high 1985 import level and reduced foreign exchange availability. However, China will be unable to attain self-sufficiency in wood over the next 15 years and the log import market is bright, especially for traditional suppliers such as the United States. The Soviet Union, Chile and Canada will continue to be the principal U.S. competitors. The outlook for lumber imports is unclear and increased market development work is needed in the processed wood products area.

The Chinese wood products sector is changing. The break-up of the state monopoly in charge of log purchasing and marketing has led to changes throughout the production, processing and distribution systems. The past year has seen an increase in free-market prices and in the volume of logs brought to market, especially from collective and privately run forests in the south and southeast. Excessive cutting continues to worry Chinese foresters, and the establishment of fast-growing tree plantations is a priority project.

Demand for wood in both urban and rural areas continues to grow despite restrictions on wood use in certain types of construction. The promotion of substitute building materials has been effective, but continued substitution will depend somewhat on relative price differences among wood, concrete, plastic and steel. Increased rural disposable income tends to be invested in new and larger housing. There probably will continue to be 9-10 million rural home starts each of the next five years.

Demand for furniture is also growing, as is demand for furniture inputs such as lumber, wood-based panels and veneer. Wood-based panel production is being emphasized because it uses wood wastes and is suitable for furniture.—*David Schoonover, U.S. Agricultural Counselor, Beijing.*

Hong Kong

Australia, New Zealand Try New Meat Packaging

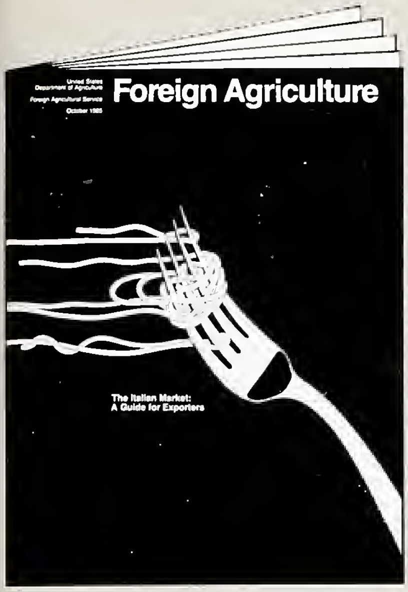
Sales of fresh meat from New Zealand and Australia have been given a boost in Hong Kong by the introduction of controlled-atmosphere packing. These meats were heavily promoted during June by Wellcome Supermarkets, the second largest supermarket chain in Hong Kong.

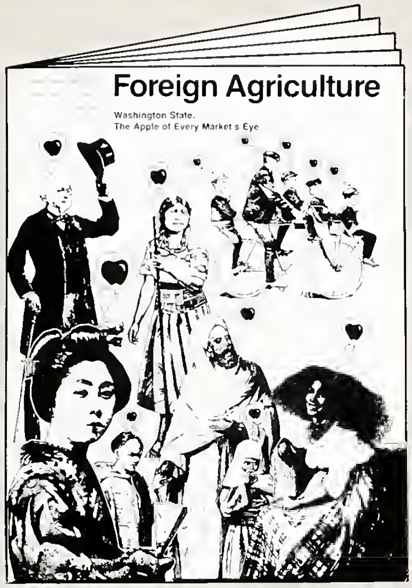
The controlled-atmosphere packing process involves hygienically sealing the meat in a bacteria-reduced package. The meat is dated and can be kept fresh for four to five days under refrigeration. These meats are particularly appealing to Chinese customers who generally prefer fresh rather than frozen meats. The beef, lamb, pork and poultry packaged this way are priced competitively with other fresh meats.

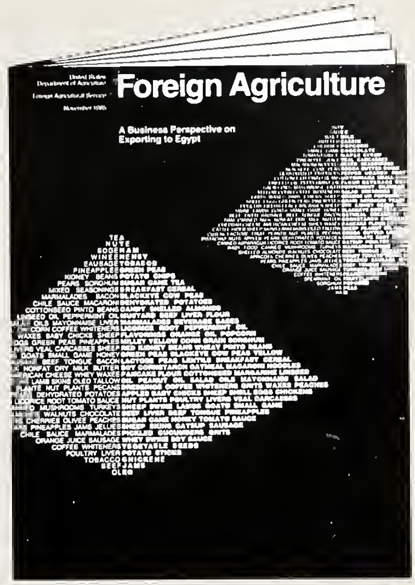
Beef and lamb from New Zealand and Australia can be flown in daily and packed locally for same day sales. While pre-packaged fresh meat will displace some frozen meat sales, it is also likely to displace sales from the fresh meat case. The availability of meats which can be kept fresh at home for several days should increase overall fresh meat sales in supermarkets.

The sale of controlled-atmosphere packaged beef in the major supermarket chains is not likely to have an immediate impact on U.S. beef sales. U.S. beef, due to its high price, is generally not available in these outlets. However, in the longer run, the freshness factor of these meats could enhance the quality image of Australian and New Zealand meats which have gradually been replacing U.S. beef in the Hong Kong market.

New Zealand beef, in particular, poses a growing threat to the position of U.S. beef in the restaurant sector. The possibility of using chilled containers for New Zealand beef would sharply increase New Zealand's competitiveness. Currently, ocean rates for U.S. beef compare favorably with ocean and air rates from Oceania, although air freight from the United States is higher. — *Michael L. Humphrey, U.S. Agricultural Officer, Hong Kong.*







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